

TO: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

FROM: PETER V. SEVCIK *P.V.S.*
DISTRICT ENGINEER

DATE: February 1, 2012

**AGENDA ITEM
E-1
FEBRUARY 8, 2012**

**APPROVE DOUGLAS WOOD & ASSOCIATES, INC. TASK ORDER FOR
SUPPLEMENTAL WATER PROJECT ADDENDUM EIR**

ITEM

Consider approval of Douglas Wood & Associates, Inc. Task Order for preparation of Addendum EIR for Supplemental Water Project [RECOMMEND BY MOTION AND ROLL CALL VOTE TO APPROVE DOUGLAS WOOD AND ASSOCIATES, INC. TASK ORDER IN THE AMOUNT OF \$13,630 AND AUTHORIZE STAFF TO EXECUTE TASK ORDER].

BACKGROUND

The Board selected Douglas Wood and Associates, Inc. (DWA) to provide environmental review services for the Supplemental Water Project. DWA prepared and the Board certified an Environmental Impact Report (EIR) for the Supplemental Water Project in 2009. The Board subsequently selected AECOM to prepare final design documents for constructing the project.

Based on the current design, there are three elements of the Supplemental Water Project that were not specifically analyzed in the previously certified Final EIR for the project including: 1) the provision of proposed lay down areas and temporary construction yards along Southland Street, Orchard Road and Joshua Street in Nipomo as well as Blosser Road in Santa Maria; 2) reconfiguration of the Via Concha well site; and 3) construction of a 24 inch waterline in Blosser Road in Phase 1 instead of a parallel 18 inch line in a future phase.

The additional environmental review work tasks and their associated costs are outlined in the attached DWA proposal. As set forth in the attached proposal, DWA is willing to perform this work on a time-and-materials basis with a not-to-exceed expenditure limit of \$13,630.

FISCAL IMPACT

The FY 11-12 Budget includes \$2,713,379 in the Supplemental Water Project Fund (Fund #500) for the project. Sufficient funding is available in the current fiscal year for this work.

STRATEGIC PLAN

Strategic Plan Goal 1.1 – Protect, Enhance, and Assess Available Water Supplies
Strategic Plan Goal 1.2 – Secure New Supplies to Meet Demands
Strategic Plan Goal 1.5 – Comply with State and Federal Regulations and Mandates

RECOMMENDATION

Staff recommends that the Board receive staff's presentation and ask questions as appropriate. Furthermore, staff recommends that the Board, by motion and roll call vote, approve Douglas Wood & Associates, Inc. Task Order for the preparation of the Addendum EIR for the Supplemental Water Project in the amount of \$13,630.

ATTACHMENT

- Douglas Wood and Associates, Inc. proposal dated February 1, 2012

Douglas Wood & Associates, Inc.

Land Use Planning / Governmental Relations / Environmental Analysis

February 1, 2012

Nipomo Community Services District
P.O. Box 326
Nipomo, CA 93444
Attn: Mr. Michael LeBrun, General Manager

Re: Proposal for Professional Consulting Services
Nipomo Community Services District,
NCSD Supplemental Water Project, Addendum EIR

Dear Michael,

We are pleased to submit this letter proposal addressing your need for professional consulting services for the completion of an Addendum EIR for several currently proposed facilities associated with the NCSD Supplemental Water Project. It is our understanding that the Addendum EIR will address the impacts of several elements of the Supplemental Water project that were not specifically analyzed in the previously-certified Final EIR for the NCSD Supplemental Water Project. It is our understanding that these additional project elements currently include but may not be limited to: 1) the provision of lay down areas and temporary construction yards at no less than eight locations within the Nipomo Mesa, along Southland Street and adjacent to Orchard Road and Joshua Street, as well as in Santa Maria adjacent to North Blosser Road; 2) the reconstruction and operation of the Via Concha well site and 3) the upsizing of the currently proposed pipeline extension adjacent to Blosser Road from 18 to 24 inches. It is our further understanding that the Nipomo Community Services District will act as Lead Agency for this project.

SCOPE OF WORK

Douglas Wood & Associates, Inc. will provide research and analysis as required for the preparation of an Addendum EIR for the proposed additional facilities noted above for construction of the previously-approved NCSD Waterline Supplemental Water Project. This document will be prepared in accordance with procedures adopted by the Nipomo Community Services District as Lead Agency relative to the California Environmental Quality Act as well as the CEQA Guidelines (Section 15120 et. seq.). According to the CEQA Guidelines, an Addendum EIR can be prepared if only "minor technical changes or additions" to the previously-certified EIR are necessary, if no substantial changes to the proposed project or circumstances surrounding the project occur and if there are no new or more severe project impacts or significantly different mitigation measures or project alternatives from those in the previously-certified Final EIR (per Sections 15162 and 15164 of the CEQA Guidelines). The current list of additional project facilities noted above appears at this point to meet these conditions.

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It will be the overall goal of our efforts to produce a CEQA compliant document that is legally-defensible on its own merit while also limiting the District's current consideration to the additional project facilities noted above. In so doing, the Addendum EIR will specifically focus its analysis of project impacts and mitigations to those associated with the currently-proposed project elements thereby not involving or affecting the previously-certified Final Environmental Impact Report for the overall Supplemental Water Project.

We perceive this effort being divided into six work tasks, the nature and extent of which will include the following:

Task 1: Research and Analysis

This task will commence with the review and consolidation of available data and background information pertinent to the proposed project and preparation of the Addendum EIR. This information will include detailed project plans, studies and/or other analyses prepared for the proposed additional project facilities. In addition, any other previously-prepared environmental documents or technical studies conducted in the project area which are relevant to the proposed project or preparation of the Addendum EIR will be reviewed. This includes the previously-certified Final Environmental Impact Report for the NCS D Supplemental Water Project which was prepared by our firm. This information will be evaluated with the goal of validating base documentation and/or identifying any additional information needs.

Task 2: Field Surveys/ Records Search

Included within this task are walkover surveys of the areas proposed to contain the proposed additional project facilities. Several of these areas were not specifically surveyed during the research and analysis efforts associated with the previously-certified Final EIR. These surveys will be intended to identify any significant biological and/or cultural resources or other constraints at the proposed locations of each of these proposed additional project facilities. Cultural constraints will also be identified with the assistance from data to be obtained from Central Coast Archaeological Resources Information Center at UCSB. Biological constraints will also be identified with assistance from data within the California Natural Diversity Data Base and, if necessary, from previously-prepared documentation from the California Department of Fish and Game (State-listed or sensitive species) and U.S. Fish and Wildlife Service (Federally-listed species).

Task 3: Preparation of Project Description

Based upon the review of available information as noted in Task 1 above, a detailed description of the proposed project will be prepared. This Project Description will include discussions of relevant project background, project objectives, project location, project characteristics, timing and required permits and approvals. As noted above, the three currently-proposed project elements noted above involve the provision of proposed lay down areas and temporary construction yards at no less than eight locations, the reconstruction and operation of the Via Concha well site and the upsizing of the currently proposed pipeline extension adjacent to

Blosser Road. The proposed lay down areas and temporary construction yards were not included in the Project Description of the previously-certified Final EIR. While the issue of chloramination was generally addressed in the previously-certified Final EIR, there was no specific reference to any improvements being required at the Via Concha well site. The Blosser Road pipeline extension was previously proposed for construction as an 18-inch line in Phase I of the project with an additional 18 or 24-inch line to be installed in Phase III.

In order to complete Tasks 3 and 4, we would like to receive the following information from the District and/or District Engineer: 1) an up-to-date map indicating the precise location of the proposed lay down areas and temporary construction yards; 2) a site plan for the proposed Via Concha well site improvements which include, but may not be limited to, the proposed chloramination building and required easements; 3) a plan indicating the precise location of the proposed upsized water line along Blosser Road from its intersection with West Taylor Street to the Santa Ana River levee and 4) an updated project facilities map and phasing plans similar to Figures 7 through 11 of the Final EIR which indicate the addition of the proposed lay down areas and temporary construction yards, the Via Concha well site, the upsized Blosser Road pipeline extension and the elimination of an additional pipeline extension along Blosser in Phase III of the proposed project.

Once completed, draft copies of the Project Description will be provided to the District for review and comment.

Task 4: Preparation of Draft Addendum EIR

Once the Project Description is finalized as described in Task 3 above, the Addendum EIR will be prepared which will identify any additional project impacts and/or mitigation measures not described in the previously certified Final EIR.

The Addendum EIR will analyze a full range of environmental issues in order to determine whether there are any additional significant impacts or mitigation measures associated currently-proposed project elements. These environmental issues include: land use and planning, population and housing, geology, water, air quality, transportation/circulation, biological resources, energy and mineral resources, hazards, noise, public services, utilities and service systems, aesthetics, cultural resources and recreation.

This Addendum EIR will provide the District with a document which will identify any potentially significant environmental impacts and/or mitigation measures associated with the currently-proposed project elements within the topic areas noted above which were not identified in the previously-certified Final EIR. The primary environmental issues of concern are anticipated to involve potential direct impacts to water quality, drainage, aesthetics, noise, biological and cultural resources. It should be noted that some of these proposed additional project facilities are located within or adjacent to areas containing previously-identified cultural or biological resources. We will utilize the previously-conducted specialized consultant studies within the previously-certified Final EIR as well as the results of the field surveys and records search to fully analyze these issues.

Any potentially significant impacts and mitigation measures associated with the currently-proposed project elements will be identified and compared to those contained in the previously-certified Final EIR prepared for the Supplemental Water Project. Within this effort, the Final EIR would serve as the "baseline" document for this current analysis. The Addendum EIR will address the applicability of the impacts and mitigation measures within the previously-certified Final EIR to the impacts and mitigation measures associated with the currently-proposed project facilities. It appears at this point that the impacts and mitigation measures contained in the previously-certified Final EIR will cover the currently-proposed project elements. The Addendum EIR will also indicate that the currently-proposed upsizing of the pipeline extension adjacent to Blosser Road in Phase I of the project will eliminate the need for an additional pipeline installation in Phase III of the project thereby resulting in a beneficial environmental effect.

This task will culminate in the provision of draft copies of the Addendum EIR in order to solicit comments from the District staff as well as any other sources deemed appropriate by the District.

Task 5: Completion of Addendum EIR

Upon receipt of all administrative comments, the Addendum EIR will be completed with the required number of copies being provided to the District for final review and presentation to the District Board.

If additional project impacts or mitigation measures are identified which have not been fully addressed in the previously-certified Final EIR, a Supplemental EIR will be recommended. As previously noted, an Addendum EIR appears at this point to be required. If such is the case, the Addendum EIR will quote all CEQA standards and guidelines relative to the preparation of an Addendum EIR and why it is justified in this case.

Task 6: Meeting and Public Hearing Attendance

Throughout research and preparation of this Addendum EIR, attendance will be necessary at various meetings. Within this scope of service, we will provide representation at a total of three (3) meetings with District staff, the attorney for the District and/or the District engineer, one (1) meeting with the District subcommittee overseeing this project and one (1) public hearing before the Nipomo Community Services District Board of Directors.

In addition to preparing the Addendum EIR, our firm will be available to advise the District as to the advantages and disadvantages of the various options for the required environmental documentation for this project, those being an Addendum or Supplemental EIR. These recommendations shall be based upon the information contained in the Addendum EIR as well as our firm's experience in the preparation of other environmental documents in accordance with the

California Environmental Quality Act and our recent experience with other projects undertaken by the Nipomo Community Services District.

Any attendance at additional meetings or public hearings beyond those noted herein deemed necessary by the District can be provided within a mutually-acceptable separate contract.

PERSONNEL

Mr. Douglas Wood, President and Principal of Douglas Wood & Associates, will act as Team Leader/Project Manager on this effort. He will not only be directly involved in document preparation, he will also serve as primary contact person to District staff and as the representative of the firm at all public hearings. Douglas Wood & Associates, Inc. is proud of our record of maintaining a consistently high level of Principal involvement through all phases of projects for which we are under contract. As a result of this policy, the Lead Agency receives the benefit of his expertise and experience which is reflected not only in the contents and overall production of the document but also during representation at project meetings and public hearings

FEES AND SCHEDULE

We propose to perform planning services set forth herein in accordance with a time and materials billing system based upon the wages spent for all personnel working on the project. Douglas Wood & Associates will complete the above services for a maximum fee not to exceed \$13,630.00. The costs of any additional document preparation, subconsultant fees, printing or report production, filing fees, mileage or other direct charges advanced by Wood & Associates beyond those discussed herein are in addition to the previously-named figure. These direct costs, including printing and delivery costs, will be accompanied by receipts to verify these costs. No additional handling charges will be added to these direct costs.

The overall project schedule as delineated below provides approximately three weeks for completion of research and analysis, field surveys/ records search and preparation of a draft Project Description (Tasks 1 through 3), one week for District review of the Project Description, three weeks for completion of a draft Addendum EIR (Task 4), one week for District review of the draft Addendum EIR and one additional week for completion of the Addendum EIR (Task 5). This results in a total of nine weeks from project authorization to a point at which the document would be ready to be scheduled for consideration of review and certification of the Addendum EIR by the District Board of Directors. This expedited schedule is intended to respond to the District's need for a thorough yet expeditious completion of this document. It should be acknowledged that the timing of all project tasks is highly contingent upon a timely response to all information needs and document review by the District. Should any unforeseen delays be experienced in this regard, a concomitant extension of the prescribed time will be necessary.

A detailed breakdown of project costs and timing per task is provided below:

TASK 1: RESEARCH AND ANALYSIS

Cost: \$ 900.00

Timing: Completion of research and analysis within one week of receipt of authorization to proceed.

TASK 2: FIELD SURVEYS/RECORDS SEARCH

Cost: \$ 3,640.00

Timing: Throughout completion of Tasks 1 and 3.

TASK 3: PREPARATION OF PROJECT DESCRIPTION

Cost: \$ 1,800.00

Timing: Completion of Draft Project Description within two weeks of completion of Task 1.

TASK 4: PREPARATION OF ADDENDUM EIR

Cost: \$ 4,850.00

Timing: A total of three weeks is required from approval of the Project Description to completion of the Addendum EIR.

TASK 5: COMPLETION OF ADDENDUM EIR

Cost: \$ 1,340.00

Timing: Completion of the Addendum EIR within one week of receipt of all District comments.

TASK 6: MEETING AND PUBLIC HEARING ATTENDANCE

Cost: \$ 1,100.00

Timing: Throughout all project tasks.

In the event that during the document preparation process significant project revisions occur, we will contact you immediately with our estimate of staff time and costs necessary to revise the environmental documentation. Responding to such revisions is considered to be above and beyond the estimates of costs of document preparation within this proposal. In the event of the need arising for additional work beyond that discussed herein, we will contact you with a written request for extra work which will contain documentation of need, time for completion and proposed compensation. Any additional work will not be undertaken prior to written authorization from you in the form of a mutually-acceptable separate contract.

We appreciate the opportunity to be of continued service to you and look forward to working with you on this project. In the interim, we will be happy to answer any questions or provide you with any additional information concerning this proposal.

Sincerely,



Douglas Wood
President
Douglas Wood & Associates, Inc.

Proposal Accepted by:

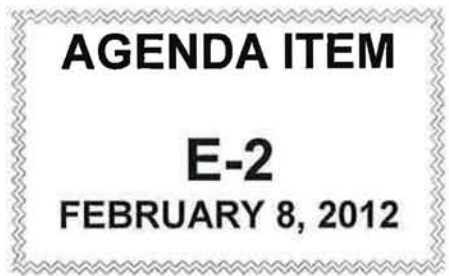
Mr. Michael Le Brun
General Manager
Nipomo Community Services District

Date

TO: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

FROM: LISA BOGNUDA *LSB*
FINANCE DIRECTOR

DATE: FEBRUARY 3, 2011



REVIEW INVESTMENT POLICY

ITEM

REVIEW DRAFT INVESTMENT POLICY [RECOMMEND REVIEW DRAFT POLICY, PROVIDE EDITS, AND ADOPT INVESTMENT POLICY]

BACKGROUND

The California Government Code Section 53646 (2) requires local government entities adopt an annual investment policy.

GC§ 53646(2) reads as follows:

In the case of any other local agency, the treasurer or chief fiscal officer of the local agency shall annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

Attached for your review is the proposed 2012 Investment Policy. Section 2 – Purpose and Scope has been added for your review and consideration.

RECOMMENDATION

Staff recommends that your Honorable Board review the draft Investment Policy, propose edits and adopt Resolution.

ATTACHMENTS

- Resolution and 2012 Investment Policy

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**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2012-**

**A RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE YEAR 2012 DISTRICT INVESTMENT POLICY**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

WHEREAS, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District as follows:

1. The District hereby adopted the Investment Policy attached hereto as Exhibit "A" as the District's Investment Policy;
2. The District General Manager shall act as Treasurer/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

PASSED AND ADOPTED by the Board of Directors of the Nipomo Community Services District this ____ day of February, 2012, on the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Harrison, President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

Michael S. LeBrun
Secretary to the Board

Jon S. Seitz
District Legal Counsel

RESOLUTION 2012-XXX

EXHIBIT A

YEAR 2012 INVESTMENT POLICY NIPOMO COMMUNITY SERVICES DISTRICT

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees, and proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers (Finance Officer) acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3. FINANCE OFFICER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

RESOLUTION 2012-XXX ~~2011-1206~~

EXHIBIT A

YEAR 2012 INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature concurrent with cash needs.

C. YIELD

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. COMPLIANCE

This Investment Policy is written to be in compliance with California and Federal law.

6. STANDARDS OF CARE

A. PRUDENCE

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

B. DISCLOSURES

Finance Officer shall disclose any material interest in financial institutions with which he/she conducts the District business.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61053).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

RESOLUTION 2012-XXX 2011-1206
EXHIBIT A

YEAR 2012 INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

B. PROHIBITED INVESTMENTS

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.
3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 6-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.

8. REPORTS

A. MONTHLY REPORT

Finance Officer/Treasurer shall make monthly reports to the Board of investments made or retired during the preceding month.

B. QUARTERLY REPORT

Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months.
9. Accrued Interest (if applicable)

C. ANNUAL REPORT

Prior to February 1, of each year, the Finance Officer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

RESOLUTION 2012-XXX 2011-1206

EXHIBIT A

YEAR 2012 INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT

D. LIMITED QUARTERLY REPORT

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors, and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 7.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.

TO: MICHAEL S. LEBRUN ^{MSL}
GENERAL MANAGER

FROM: LISA BOGNUDA ^{LSB}
FINANCE DIRECTOR

DATE: FEBRUARY 3, 2011



REVIEW DRAFT DEBT MANAGEMENT POLICY

ITEM

REVIEW DRAFT DEBT POLICY [RECOMMEND REVIEW DRAFT POLICY, PROVIDE EDITS, DIRECT STAFF TO SCHEDULE ADOPTION OF DEBT POLICY AT FUTURE BOARD MEETING]

BACKGROUND

The District has been preparing for two of the largest projects in its 47 year history – The Supplemental Water Project and the Southland Wastewater Treatment Facility Upgrade.

The proposed funding mechanism for each of these projects includes a combination of cash reserves and bond issuance. In order to issue bonds, the District has retained the professional services of Bond Counsel, Maryann Goodkind of Fulbright & Jaworski, LLP and Financial Advisor Curt de Crinis of C.M. de Crinis & Co.

The Bond Counsel and Financial Advisor have advised the District to adopt a Debt Management Policy prior to the issuance of bonds.

A debt management policy establishes parameters for evaluating, issuing, and managing the District's debt. The policy outlines the District's approach to debt management. Debt management policies improve the quality of decisions, provide justification for the structure of the debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning. Adherence to a debt management policy signals to rating agencies and the capital market that a government is well managed and should meet its obligations in a timely manner.

Attached for your review is the Draft Debt Management Policy. Ms. Goodkind and Paul McDonnell, Managing Director of C.M. de Crinis & Co., will be available to address the Board and answer questions.

In addition, Staff will be working with the Finance Committee and Counsel to establish a Reserve Policy that will compliment the Debt Management Policy, once adopted.

RECOMMENDATION

Staff recommends that your Honorable Board review the draft Debt Management Policy, propose edits for consideration and direct Staff to place this item on the February 29, 2012, Board Meeting for adoption.

ATTACHMENT

- DRAFT RESOLUTION AND DEBT MANAGEMENT POLICY

NIPOMO COMMUNITY SERVICES DISTRICT

RESOLUTION NO. 2012-XXXX

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT APPROVING THE ADOPTION OF
THE DEBT MANAGEMENT POLICY FOR THE DISTRICT**

WHEREAS, debt management policies establish parameters for evaluation, issuing, and managing the District's debt. The policies outlined in the attached debt management policy are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management; and

WHEREAS, adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner; and

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District"), desires to adopt a debt management policy at this time; and

WHEREAS, Debt Management Policy (the "Policy") has been prepared and is hereby presented at this meeting; and

WHEREAS, it is appropriate at this time for the Board of Directors to consider approval of the adoption of the Policy.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

Section 1. The above recitals are true and correct.

Section 2. The Debt Management Policy in the form presented at this meeting is hereby approved and adopted.

Section 3. The officers of the District are hereby directed to do and cause to be done any and all acts and things necessary or proper in order to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

NIPOMO COMMUNITY SERVICES DISTRICT

RESOLUTION NO. 2012-XXXX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT APPROVING THE ADOPTION OF THE DEBT MANAGEMENT POLICY FOR THE DISTRICT

Upon a motion by Director _____, seconded by Director _____, on the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

the foregoing resolution is hereby passed and adopted on this ____ day of _____, 2012.

JAMES HARRISON
President of the Board

ATTEST:

APPROVED AS TO FORM:

MICHAEL S. LEBRUN
Secretary to the Board

JON S. SEITZ
District Legal Counsel

NIPOMO COMMUNITY SERVICES DISTRICT

DEBT MANAGEMENT POLICY

Overview

The District utilizes a comprehensive planning process to determine its long-term capital needs. The District evaluates each capital project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline and available revenue sources to ensure that adequate financial resources are available to support the District's financial obligations.

The District's Debt Management Policy is integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following policies outline the District's approach to debt management.

I. GENERAL MANAGEMENT POLICIES

The District will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and ratesetting process.

- The District will present any proposed adjustments to existing rates, fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.
- All District funds will be invested according to the Investment Policy of the District.
- Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget.

II. FINANCIAL MANAGEMENT POLICIES

- The District will evaluate financing for each capital project on a case-by-case basis. The District will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of debt.
- The District will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- User Fees and Rates will, be set at adequate levels to generate sufficient revenues to pay all operating and maintenance costs, to maintain sufficient operating

reserves, and to pay debt service costs, if necessary.

III. DEBT AND CAPITAL MANAGEMENT POLICIES

The following policies formally establish parameters for evaluating, issuing, and managing the District's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the District objectives will be to:

- Ensure ratepayer security
- Maintain high credit ratings and access to credit enhancement
- Preserve financial flexibility

A. Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to achieve an equitable allocation of costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

- For growth related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.
- Capital projects financed through debt issuance should not be financed for a term longer than the expected useful life of the project.
- Lease Agreements and Installment Sale Agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be considered as long-term fixed rate debt until maturity.

B. Financing Criteria

The District will evaluate alternative debt structures (and timing considerations) to ensure cost-efficient financing under prevailing market conditions.

Credit Enhancement - The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve/Surety - The District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous.

Call Provisions - In general, the District's securities should include optional call provisions. The District will avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

Short-Term Debt - The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Term - 10 to 30 years is standard, but up to 35 years may be acceptable, depending on cash flow assumptions, construction timeline and remaining useful life of the asset being financed.

Maximum Yield - Case by case as recommended by Financial Advisor and as governed by State law.

Maximum Premium - Case by case as recommended by Financial Advisor and as governed by State law.

Maximum Discount - Case by case as recommended by Financial Advisor and as governed by State law.

Payment Dates - After considering cash flow needs, the General Manager or his or her designee (General Manager) will determine the occurrence of all new debt service payments.

Structure of the Debt - Prefer level debt service, but shall be determined on a case-by-case basis, at the discretion of the General Manager and Financial Advisor.

Use of Variable Rate Debt - The District will not issue variable interest rate debt unless: the proposed debt is converted to a fixed rate or hedged.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction. The District will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

Reimbursement Resolution - Must be adopted by the Board if the project Capital costs are advanced by the District prior to the expenditure and/or commitment of funds, and bond sale.

C. Types of Long Term Funding.

The District shall consider several methods of financing capital projects. This policy will set forth guidelines for these decisions by indentifying parameters within each funding source that are considered appropriate. These parameters are defined below.

Certificates of Participation/Lease Revenue Bonds - Certificates of Participation (COP's) and Lease Revenue Bonds (LRB) can finance water, wastewater and electrical utilities, or other public facilities and are almost identical in structure and security. They are used to finance capital projects that either 1) have an identified budgetary system for repayment; 2) generate enterprise revenue 3) rely on a broader pledge of General Fund revenues; or 4) finance the purchase of real property and the acquisition and installation of equipment for the District's general government or enterprise purposes. COP's and LRB's are secured by a lease-back or installment sale arrangement between the District and another public entity. The general operating revenues of the District or an enterprise and/or a designated special fund are used to pay the lease or installment payments, which are, in turn, used to pay debt service on the COP's or LRB's. Bond covenants provide that revenues generated by enterprise funds must be sufficient to maintain required debt coverage levels, or the rates of the enterprise have to be raised to maintain the coverages and operations of the facility. For General Fund pledges, bond covenants include an annual appropriation covenant. COP's and LRB's do not constitute indebtedness under the state constitution and are not subject to voter approval.

Because COP's are not created by statute, but rather are used to securitize an underlying contract, they can be adapted to a number of financing situations. They are commonly used for both lease revenue and enterprise revenue financings where no workable statutory framework is available or a joint powers financing authority is not available.

Revenue Bonds - Revenue Bonds also finance water, wastewater utilities, or other public facilities. They are payable by the revenues generated by the enterprise. This type of debt is considered self-liquidating. Revenue Bonds are payable solely from the enterprise funds and are not secured by any pledge of General Fund revenues of the District. Bond covenants provide that revenues generated by these enterprise funds must be sufficient to maintain required debt coverage levels, or the rates of the enterprise have to be raised to maintain the coverages and operations of the facility. A bond election may be required to issue Revenue Bonds.

Assessment Bonds - The District may issue assessment bonds under the 1911 and 1915 Improvement Acts through the formation of a special benefit assessment district under the 1911 or 1913 Acts. The bonds may be issued to finance facilities or provide services and are secured by assessments levied on parcels within a defined area that are proportionate to the special benefit conferred upon a parcel, as determined by a qualified assessment engineer. Assessments are subject to majority protest hearing and notice ballot requirements. Assessment Bonds, although repaid through additional assessments levied on a discrete group of property owners, constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. Assessment Bonds are not obligations of the District's General Fund.

Mello-Roos Bonds - The Mello-Roos Act of 1982 allows the District to establish a Mello-Roos Community Facilities District (CFD) which allows for financing of public improvements and services. These CFD special taxes must be approved by a two thirds vote of registered voters within the special district (unless there are fewer than 12 registered voters, in which case the vote is by landowners), and are secured solely by a special tax on the real property within the special district. CFD Bonds, although repaid through additional special taxes levied on a discrete group of taxpayers, also constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. CFD Bonds are not obligations of

the District's General Fund.

Capital Lease Debt - A lease purchase obligation placed with a lender without the issuance of securities may be used to finance certain vehicle and equipment purchases will be evaluated on a case-by-case basis.

D. Refinancing Outstanding Debt

The District will evaluate potential refunding opportunities presented by underwriting and/or by the District's Financial Advisory, District Staff or financial advisory firms. The District will consider the following issues when analyzing potential refinancing opportunities:

- *Debt Service Savings* - The District shall establish a target savings level equal to 3% to 5% of par refunded on a net present value (NPV) basis. These figures should serve only as a guideline, the District must evaluate each refunding opportunity on a case-by-case basis, and must take into consideration: the time to maturity, size of the issue, current interest rate environment, annual cash flow savings, and the value of the call option. The decision to take all savings upfront or on a deferred basis must be explicitly approved by the District's Board of Directors.
- *Restructuring* - The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, comply with and/or eliminate rate/bond covenants, or terminate a swap.
- *Term/Final Maturity* - The District may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds should not be extended beyond the reasonably expected useful life of the asset being financed. The District may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.
- *Escrow Structuring* - The District shall utilize the least costly securities available in structuring each escrow. A certificate will be required from a third party agent who is not acting as a broker-dealer, stating that the securities were purchased through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Series Securities (SLGS), and that the price paid was reasonable and within Federal guidelines. When evaluating the economic viability of an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize its escrows and to avoid negative arbitrage in its refundings.

E. Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. Public offerings can be executed through either a competitive sale or a negotiated sale. It shall be the policy of the District to issue debt through a

competitive sale whenever feasible subject to advice of the District Financial Advisor.

Competitive Sale - In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

Negotiated Sale - District recognizes that some securities are best sold through negotiation. In consideration of a negotiated sale, the District shall assess the following circumstances in determining the advisability such a sale:

- Issuance of variable rate or taxable bonds
- Complex structure or credit considerations (such as non-rated bonds), which requires a strong pre-marketing effort
- Significant par value, which may limit the number of potential bidders
- Unique proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process
- Market volatility, such that the District would be better served by flexibility in the timing of its sale in a changing interest rate environment
- When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District that could not be achieved through a competitive bid.
- As a result of an Underwriter's familiarity with the project/financing, which enables the District to take advantage of efficiency and timing considerations.
- Other considerations and advantages as presented by District Consultants and Staff

Private Placement – From time to time the District may elect to issue debt on a private placement basis. Such method shall only be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

F. Service Provider Selection

All financial advisors, bond counsel, disclosure counsel, trustees and underwriters will be selected pursuant to District's Purchase Policy relating to hiring consultants

G. Market Communication and Reporting Requirements

Rating Agencies and Investors - The General Manager shall be responsible for maintaining the District's relationships with one or more national rating agencies.

Continuing Disclosure - The District shall use its best efforts to be in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders.

IV. Post Issuance Compliance Policy

A. In General

The Board of Directors of the District recognizes its responsibility to ensure compliance with all Federal laws and regulations (“Federal Requirements”) applicable to the District’s bonds and other obligations the interest on which is excluded from gross income for federal income tax purposes or are otherwise tax advantaged (“Tax-Exempt Bonds”). This policy and guidelines relate to requirements that must be met subsequent to the issuance of Tax-Exempt Bonds in order to maintain that exclusion or receive a federal tax credit payment including, without limitation, requirements relating to use of proceeds, arbitrage, private business use and record retention. This policy and guideline supersede any post-issuance compliance policy previously adopted by the District but do not supersede, limit or contravene any representations, statements or covenants of the District contained in the bond documents (the “Bond Documents”) for its Tax-Exempt Bonds. The purpose of this policy is to provide guidelines and establish procedures for compliance with Federal Requirements in connection with the issuance of Tax-Exempt Bonds.

B. Policy

It is the policy of the District to adhere to all applicable tax requirements with respect to its Tax-Exempt Bonds as set forth in the Bond Documents including, but not limited to, requirements relating to the use of proceeds of Tax-Exempt Bonds and facilities financed and refinanced with Tax-Exempt Bonds (the “Bond-Financed Facilities”), arbitrage yield restrictions and rebate, timely return filings, and other general tax requirements set forth in the Bond Documents.

C. Compliance Monitoring

Consistent with the covenants of the District contained in the Bond Documents, the District will monitor compliance with the federal tax requirements applicable to its Tax-Exempt Bonds. The following officers or employees of the District are responsible for monitoring compliance with those requirements: General Manager or designee (“General Manager”), with assistance from Bond and Tax Counsel and Financial Advisor.

D. Record Retention

In accordance with Internal Revenue Service (“IRS”) requirements, the District will retain the following records with respect to its Tax-Exempt Bonds:

- Bond transcripts;
- Documentation showing the expenditure of proceeds of the Tax-Exempt Bonds for one or more Bond-Financed Facility;

- Documentation showing the use of the Bond-Financed Facilities;
- Documentation showing the sources of payment and security for the Tax-Exempt Bonds;
- Documentation related to the investment of proceeds of the Tax-Exempt Bonds, including the purchase and sale of securities, investment income received, yield calculations, and rebate calculations;
- All returns filed with the IRS for the Tax-Exempt Bonds (including, as applicable, IRS Forms 8038-G *Information Return for Tax-Exempt Governmental Obligations*, 8038-T *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*, and 8038-R *Request for Recovery of Overpayments under Arbitrage Rebate Provisions*), together with sufficient records to show that those returns are correct; and
- Any other documentation that is material to the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

Except as otherwise set forth in the Bond Documents, the District will retain the records described above in hard and/or electronic copy format for so long as the applicable Tax-Exempt Bonds remain outstanding and for a period of three years after final redemption of the applicable Tax-Exempt Bonds. With respect to Tax-Exempt Bonds that are refunding bonds, the District will retain the above-described records for the refunding and refunded bonds (and any earlier issue in the case of a series of refundings).

The following officers or employees of the District are responsible for retaining the records relating to the Issuer's Tax-Exempt Bonds: General Manager and Secretary.

E. Arbitrage Compliance

It is the policy of the District to maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. Unless otherwise instructed by bond counsel, at closing the District will execute documentation covenanting to comply with Federal rebate and arbitrage requirements. Unless otherwise instructed by bond counsel, annually the District will engage a consultant to assist in the monitoring of the investment of bond proceeds, perform the required calculations to determine arbitrage rebate and yield restriction compliance, and file the required federal forms. Unless otherwise instructed by bond counsel, every five years the District will file (if arbitrage rebate is owed) with the Internal Revenue Service the appropriate required documentation demonstrating arbitrage rebate liability and provide payment of at least 90% to the US Treasury for arbitrage rebate liability, if any.

F. Remedial Action

If the District in complying with the terms and provisions the policies or guidelines set forth herein or determines that the requirements of these policies and guidelines or the tax covenants or representations in the Bond Documents may have been violated, the District will

make final determinations, if necessary with the assistance of its Bond and Tax Counsel and Financial Advisors, and take appropriate actions related to such noncompliance including, if appropriate, any remedial action described under applicable Treasury Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program.

G. Coordination With Bond Documents

In the event of any conflict between these Procedures and Guidelines and the Bond Documents, the Bond Documents shall govern.

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: FEBRUARY 3, 2012

AGENDA ITEM
E-4
FEBRUARY 8, 2012

SUPPLEMENTAL WATER PROJECT UPDATE

ITEM

Staff will provide an update on the Supplemental Water Project [RECEIVE UPDATE AND DIRECT STAFF]

BACKGROUND

Note: District Counsel researched, prepared, and presented the majority of this Staff Report to your Board on August 11, 2010. This comprehensive summary of the District's Supplemental Water program is reproduced herein to provide context for today's update and discussion.

The Nipomo Community Services District (the "District" or "NCSD"). The Woodlands Mutual Water Company ("WMWC"), Golden State Water Company ("GSWC") and Rural Water Company ("RWC") currently rely on groundwater underlying the Nipomo Mesa Management Area (formerly known as the Nipomo Mesa Groundwater Subbasin) of the Santa Maria Groundwater Basin to provide water service to water customers. The Court in the lawsuit summarized, below, designates the Nipomo Mesa Water Conservation Area as the Nipomo Mesa Management Area. For ease of reference this report will use the term Nipomo Mesa Water Conservation Area or NMWCA to describe the geographic area of the groundwater basin that underlies the Nipomo Mesa.

Over the past several years, a number of groundwater studies have been conducted in the Nipomo Mesa area in order to assess the status of groundwater resources. These studies include: 1) Water Resources of the Arroyo Grande – Nipomo Mesa Area in 2002, prepared by the California Department of Water Resources (DWR), dated October 25, 2002; 2) 2004 the Nipomo Mesa Groundwater Resource Capacity Study prepared at the request of the County of San Luis Obispo (the "County") by the firm of S.S. Papadopoulos & Associates, Inc.; 3) "Water Supply in the Nipomo Mesa Area, October, 2004", a Resource Capacity Study prepared by the County of San Luis Obispo, Department of Planning and Building; and 4) Additionally, commencing in June 2008, the Nipomo Mesa Management Area Technical Group files annual reports with the Court pursuant to a 2005 Stipulation and Final Judgment of that Court (see below).

The 2002 Department of Water Resources Report concluded that overdraft of the Santa Maria Groundwater Basin is not likely through the year 2020 but indicates that projected water demands exceed the dependable safe yield of groundwater in the Nipomo Mesa Sub-Area. The March 2004 Papadopoulos Report concluded that the Nipomo Mesa Sub-Basin is currently in overdraft. The County's November 2004 Resource Capacity Study indicated that in order to maintain sustainability of the Nipomo Mesa groundwater supply, total extractions would have to be stabilized at 6,000 acre-feet per year (as first indicated in the Department of Water Resources Report) and that sustainability can be achieved through a combination of conservation and water supply augmentation.

In recognition of the findings and recommendations contained in the 2002 DWR Report and the 2004 Papadopoulos Report, the District on September 07, 2004, entered into a Memorandum of Understanding with the City of Santa Maria for the purchase of approximately 2,500 acre-feet of water per year to provide supplemental water for the exclusive use of the District (2004 MOU). (see following sections for update).

As recommended in the County's 2004 Resource Capacity Study on June 22, 2007, the County Board of Supervisors certified the Severity Level III for water resources underlying the Nipomo Mesa Water Conservation Area. Table F of the County's Resource Management System provides:

Table F		
RESOURCE DEFICIENCY CRITERIA FOR LEVELS OF SEVERITY		
Level I	Level II	Level III
Projected consumption estimated to exceed dependable supply within 9 years	7 year lead time to develop supplementary water for delivery to users	Resource is being used at or beyond its estimated dependable supply or will deplete dependable supply before new supplies can be developed

GROUNDWATER ADJUDICATION SUMMARY

In 1997 the Santa Maria Valley Water Conservation District filed a groundwater adjudication lawsuit involving the Santa Maria Groundwater Basin that stretches from Orcutt to the South to Pismo Beach to the North. The greater Santa Maria Groundwater Basin includes waters underlying the Nipomo Mesa area (at the time commonly known as the Nipomo Hydrologic Sub-basin). The parties to the lawsuit include the City of Santa Maria, landowners and other water purveyors that pump groundwater from the Santa Maria Groundwater Basin. The NCSD, WMWC, GSWC, and RWC pump water from the underlying Nipomo Mesa Water Conservation Area and are parties to the groundwater adjudication.

The Court in its Partial Statement Of Decision *Re Trial Phase III* found "No evidence of seawater intrusion, land subsidence, or water quality deterioration that would be evidence of overdraft has been presented. Some wells in the Nipomo Mesa area do show lowering of water levels that may result from the pumping depression or other cause, and there may be some effects in that portion of the Basin that are not shared Basin-wide. But, that is not sufficient in any event to demonstrate Basin-wide overdraft" (totality of the greater Santa Maria Groundwater Basin). Subsequently, many of the parties including NCSD, WMWC, GSWC and RWC that overlay the Nipomo Mesa portion of the Groundwater Basin, along with the City of Santa Maria and the County of San Luis Obispo signed a June 30, 2005, Stipulation (the "Stipulation"), that was approved by the Court. The Final Judgment after trial provides "the Court approves the Stipulation, orders the stipulating parties only to comply with each and every term thereof, and incorporates the same herein as though set forth at length".

The Stipulation divides the Santa Maria Groundwater Basin into three management areas known as the Santa Maria Valley Management Area (Southern portion of the Groundwater Basin) the Nipomo Mesa Management Area (the NMMA) (the center portion of the Groundwater Basin) and the Northern Cities Management Area (the northern portion of the Groundwater Basin).

Pursuant to the Stipulation the Woodlands Mutual Water Company, Golden State Water Company, and Rural Water Company agreed to participate in a project to intertie water systems with and purchase water from the City of Santa Maria. The project is the subject of the 2004 MOU between NCSD and City of Santa Maria. As outlined in the Stipulation the 2,500 AF is to be divided up as follows:

NCSD – 66.68% or 1,669 AFY
WMWC – 16.66% or 415 AFY
GSWC – 8.33% or 208 AFY
RWC – 8.33% or 208 AFY

Additionally, pursuant to the Stipulation the NCSD, Woodlands Mutual Water Company, Golden State Water Company and an Ag representative formed the Nipomo Mesa Management Area Technical Group to monitor the groundwater underlying the Nipomo Mesa Management Area, to file reports with the Court and to make recommendations to the Court. The 2010 Annual Report makes the following recommendations related to the Supplemental Water Project:

“Supplemental Water Supply – An alternative water supply that would allow reduced pumping within the NMMA is likely to be the most effective method of reducing the stress on the aquifer and allow groundwater elevations to recover. The Nipomo Supplemental Water project is likely to be the fastest method of obtaining alternative water supplies. Given the Potentially Severe Water Shortage Conditions within the NMMA and the other risk factors discussed in this Report, the TG recommends that this project be implemented as soon as possible”.

The 2009 Northern Cities Management Annual Report indicates that during the reporting period the interface/mixing zones between seawater and fresh water shifted inland in the Oceano area that borders the NMMA's northern boundary. Subsequent reports from the Northern Cities Management Area indicate that this mixing zone has moved offshore.

SUPPLEMENTAL WATER PROJECT SUMMARY

After entering into the 2005 Stipulation, several additional studies have been prepared by NCSD in order to further evaluate alternatives to an intertie with the City of Santa Maria, including: (1). the Preliminary Engineering Memorandum, prepared by Boyle Engineering, dated November, 2006; (2). Evaluation of Supplemental Water Alternatives – Technical Memorandum No. 1, prepared by Boyle Engineering dated June 2007; (3). Evaluation of Desalinization as a Source of Supplemental Water - Technical Memorandum No. 2, prepared by Boyle Engineering dated September 28, 2007; and (4). Evaluation of Supplemental Water Alternatives - Technical Memorandum No. 3, prepared by Boyle Engineering dated November 30, 2007. These memorandums have confirmed that the Santa Maria Intertie Project is the most feasible project to provide alternative water sources within the Nipomo Mesa Water Conservation Area.

Constructing an intertie with the City of Santa Maria involves the construction of approximately five miles of new waterlines, pump stations and water storage facilities to transport up to 3,000 AF of new water from the City of Santa Maria. The Project final EIR has been certified by the District as lead agency and the City of Santa Maria as a responsible agency. The final Supplemental Water Wholesale Agreement has been approved by the District and the City of Santa Maria (January 2010). In the first ten (10) years of operation the minimum delivery requirement is 2,000 AFY.

The objectives of the Supplemental Water Project include:

1. Slow the depletion of the above-sea-level groundwater in storage beneath the Nipomo Mesa Groundwater Management Area (NMMA) of the Santa Maria Groundwater Basin to reduce the potential for sea water intrusion by using supplemental water consistent with the settlement agreement and the judgment related to the groundwater adjudication.
2. Assist in stabilizing the groundwater levels in the NMMA by reducing pumping in the NMMA.
3. Augment and diversify the current water supplies available to the Woodlands and other water purveyors on the Mesa by 831 acre-feet per year as follows: Woodlands (415 AFY), Golden State Water Company (208 AFY) and Rural Water Company (208 AFY).
4. Increase the reliability of District water supply by providing a diversity of water sources.

The Project is nearing 100% design completion and outreach efforts to increase property owner understanding and support of the project have been underway since June 2011. Four information mailings, two Town Hall Meetings, and most recently, a series of four Workshops on Assessment District formation have been conducted. Nearly one thousand persons have attended these public forums. In early January, the District mailed a letter to all property owners within the proposed assessment district with information on the proposed benefit assignment to their property. District Directors and staff are actively reaching out to interested property owners and customers including San Luis Obispo County and the Lucia Mar School District. Worksheets used in the recent workshops are attached to this report.

ASSESSMENT DISTRICT SUMMARY

The District previously explored various alternatives for financing the construction of the Supplemental Water Project, namely increasing bi-monthly water rates or the creation of an assessment district. Water rates, if approved, can only be imposed on District customers (developed properties receiving water service) while assessments, if approved, can be imposed on both developed and vacant properties within both the District and the service area of project partners. In September 2008, the Board approved the formation of an assessment district as the best alternative to finance the District's portion of the construction costs of the Waterline Intertie Project. The District, thereon, retained the Wallace Group to prepare assessment data reports for assessing the developed and undeveloped properties within the District.

Subsequently, the District, Woodlands, Golden State Water Company and Rural Water Company began exploring the formation of an assessment district to finance all participating water companies' construction costs. Initially, the District assumed assessment district formation outside its boundaries would necessitate County lead. The District entered an agreement with the County to facilitate the formation of an assessment district that would include properties within the NCSD, WMWC, GSWC and RWC to finance all construction costs of the Supplemental Water Project.

An assessment district that includes the participation of all water companies makes sense for several reasons including the following:

1. Both developed and undeveloped properties will participate in paying for the construction of the Supplemental Water Project, thus spreading costs beyond the existing water customer base. Undeveloped properties benefit, because property owners will have a source of water to support development within existing water company boundaries consistent with development authorized by the existing County General Plan.
2. Rather than financing the Project with a variety of mechanisms i.e., rates and charges from some participating water companies (that require CPUC approval) and the District's formation of an assessment district, a single assessment district provides a uniform financing mechanism that includes timely payment of costs and does not require CPUC approval.
3. Thirty-year bonds spread the costs to future customers who will benefit from the project.

On December 13, 2011, San Luis Obispo County Board of Supervisors voted unanimously granting the District permission for form an assessment district to finance the Supplemental Water Project. The City of Santa Maria is scheduled to consider granting the District permission to construct improvement within their jurisdiction on Tuesday February 21, 2012.

Your Board is scheduled to review the Draft Assessment Engineer's Report on February 29, 2012 and consider approval of the Final Engineer's Report on March 14, 2012 along with a Resolution of Intent that would initiate the assessment approval process by 45-day mail ballot.

FISCAL IMPACT

This 26 million dollar capital project is by far the largest endeavor the District has undertaken in its forty-seven year existence. Increasing water supply reliability and reducing the potential for community wide water restrictions and rationing will avoid many millions of dollars in negative property value impacts.

Through December 2011, the District has expended \$3.5M developing the Supplemental Water Project (Cost Summary attached).

Staff time and professional consulting services related to supplemental water project development are included in the 2011-2012 budget. Much of these costs are capitalized and included in the project cost and are recoverable following a successful financing vote.

STRATEGIC PLAN

Strategic Plan Goal 1.2 – Secure New Water Supplies

RECOMMENDATION

Staff recommends your Board consider draft policy and Resolution, direct any changes, and by motion and roll call vote approve Resolution adopting benefit assignment change Policy.

ATTACHMENTS

- Workshop Worksheets
- Supplemental Water Project Cost Summary

Property Owner Assessment Worksheet for NCSD Customers (Approximate Current ESTIMATE)

1

Total Assessment

(Example)

a. Enter your Benefit Units _____ 2.0 (*developed home)

b. Multiply a. by \$1,776 _____ $2.0 \times \$1,776 = \$3,552$

c. Multiply a. by \$1,504 _____ $2.0 \times \$1,504 = \$3,008$
if prepayment is made



This is your Total Assessment

(*Cost per Benefit Unit for an undeveloped property is \$2,783)

2

Yearly Payment

(Example)

a. Enter your Benefit Units _____ 2.0

b. Multiply a. by \$131 _____ $2.0 \times \$131 = \262

This is your estimated
Yearly Payment on your
Property Tax Bill



**Nipomo Community Services District
Basis of Assessment**

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	</= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with 2 units	Second Unit on a residential property	</=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Residential with 3 or More units	Residential properties with greater than two units (includes triplex, fourplex. Does not include subdividable RSF parcels)	All Parcel Sizes	0.30 benefit unit for each additional unit beyond two units
4	A	Residential Multi-Family (RMF)	Multi-family units w/ no land (i.e. condos, apartments, mobile homes)	All Parcel Sizes	0.70 benefit units per unit
5	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
6	A	Mini Storage	Storage units with physical storage structures	All Parcel Sizes	0.50 benefit units
7	A	School	School	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
8	A	Public Mtg	Includes churches, public meeting halls, excluding schools	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	2.00 benefit units
	D			>2.00	1.00 benefit units per acre
9	A	Recreational	Parks, Fields, etc	All Parcel Sizes	1.00 benefit units per acre
10	A	Government	Government (i.e. Fire Station, Police, etc)	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
11	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	0.00 benefit units
12	A	Public Facilities w/ Irrigation	Public Facilities with irrigation	All Parcel Sizes	1.00 benefit units per acre
13	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
14	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
15	A	WWTP	Wastewater Treatment Plant	All Parcel Sizes	1.00 benefit unit
16	A	Agriculture	Agriculture parcels using NCSD water	All Parcel Sizes	1.00 benefit units per acre
17	A	Hotel	Hotel or Bed & Breakfast	All Parcel Sizes	0.40 benefit units per room
18	A	Exempted Parcels	Parcels with their own water source	All Parcel Sizes	0.00 benefit units

Property Owner Assessment Worksheet for WMWC Customers (Approximate Current ESTIMATE)

1

Total Assessment

(Example)

- a. Enter your Benefit Units _____ 1.0
- b. Multiply a. by \$2,700 _____ $1.0 \times \$2,700 = \$2,700$
- c. Multiply a. by \$2,250 _____ $1.0 \times \$2,250 = \$2,250$
if prepayment is made



This is your Total Assessment

2

Yearly Payment

(Example)

- a. Enter your Benefit Units _____ 1.0
- b. Multiply a. by \$225 _____ $1.0 \times \$225 = \225

This is your estimated
Yearly Payment on your
Property Tax Bill



Woodlands Mutual Water Company Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential (RSF)	All residential parcels with one unit	All Parcel Sizes	1.00 Equivalent Benefit Unit
2	A	Residential Multi-Family (RMF)	Multi-family units	<0.10	0.70 benefit units per unit
3	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<=1.00	1.50 benefit units
	B			>1.00 & <=3.50	3.00 benefit units
	C			>3.50	6.00 benefit units
4	A	Open Space	Open Space, Golf Course, Buffer Lots, Park & Ride	All Parcel Sizes	0.00 benefit units
5	A	Public Facilities	All Public Facilities	All Parcel Sizes	0.00 benefit units
6	A	Resort	Resort	All Parcel Sizes	0.25 benefit units per room
7	A	Trilogy Center	Monarch Club (Trilogy Center)	>8.00	90.0 benefit units
8	A	Golf Course Facilities	Golf Club and Maintenance Facility	All Parcel Sizes	5.00 benefit units

Property Owner Assessment Worksheet for GSWC Customers (Approximate Current **ESTIMATE**)

1

Total Assessment

(Example)

- a. Enter your Benefit Units _____ 2.0
- b. Multiply a. by \$838 _____ $2.0 \times \$838 = \$1,676$
- c. Multiply a. by \$683 _____ $2.0 \times \$683 = \$1,366$
if prepayment is made



This is your Total Assessment

2

Yearly Payment

(Example)

- a. Enter your Benefit Units _____ 2.0
- b. Multiply a. by \$75 _____ $2.0 \times \$75 = \150

This is your estimated
Yearly Payment on your
Property Tax Bill



Golden State Water Company Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	<= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with 2 units	Second Unit on a residential property	<=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Residential with 3 or More units	Residential properties with greater than two units (includes triplex, fourplex. Does not include subdividable RSF parcels)	All Parcel Sizes	0.30 benefit unit for each additional unit beyond two units
4	A	Residential Multi-Family (RMF)	Multi-family units w/ no land (i.e. condos, apartments, mobile homes)	All Parcel Sizes	0.70 benefit units per unit
5	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
6	A	Agriculture	Agriculture parcels using GSWC water	All Parcel Sizes	1.00 benefit units per acre
7	A	School	School	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
8	A	Government	Government (i.e. Fire Station, Police, etc)	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
9	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	0.00 benefit units
10	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
11	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
12	A	Exempted Parcels	Parcels with their own water source	All Parcel Sizes	0.00 benefit units

Property Owner Assessment Worksheet for Rural Water Company Customers (Approximate Current ESTIMATE)

1

Total Assessment

(Example)

- a. Enter your Benefit Units _____ 1.0
- b. Multiply a. by \$1,348 _____ $1.0 \times \$1,348 = \$1,348$
- c. Multiply a. by \$1,090 _____ $1.0 \times \$1,090 = \$1,090$
if prepayment is made



This is your Total Assessment

2

Yearly Payment

(Example)

- a. Enter your Benefit Units _____ 1.0
- b. Multiply a. by ~~\$240~~ ^{\$120} _____ $1.0 \times \del{\$240} = \del{\$240}$
~~\$120~~ ^{\$120}

This is your estimated
Yearly Payment on your
Property Tax Bill



Rural Water Company Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	<= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with 2 units	Second Unit on a residential property	<=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<= to 0.35	1.0 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
4	A	Hotel	Hotel or Bed & Breakfast	All Parcel Sizes	0.40 benefit units per room
5	A	School	School	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
6	A	Recreational	Parks, Fields, etc	All Parcel Sizes	1.00 benefit units per acre
7	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	0.00 benefit units
8	A	Public Facilities w/ Irrigation	Public Facilities with irrigation	All Parcel Sizes	1.00 benefit units per acre
9	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
10	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
11	A	WWTP	Wastewater Treatment Plant		1.00 benefit unit
12	A	Exempted Parces	Parcels with their own water source	All Parcel Sizes	0.00 benefit units
13	A	Agriculture	Agriculture parcels using RWC water	All Parcel Sizes	1.00 benefit units per acre

NIPOMO COMMUNITY SERVICES DISTRICT
 SUPPLEMENTAL WATER PROJECT
 MONTHLY REPORT TO THE BOARD OF DIRECTORS
 (FY JUNE 30, 2012)

REVENUES FY 2011-2012	<u>MONTH OF</u> <u>DECEMBER</u>	<u>FISCAL YEAR</u> <u>7/1/2011 TO</u> <u>6/30/2012</u>
Supplemental Water Capacity Fees Collected	0.00	14,605.00
Interest Income (monthly & quarterly posting)	<u>307.62</u>	<u>2,877.91</u>
Revenue Subtotal	<u>307.62</u>	<u>17,482.91</u>
EXPENDITURES FY 2011-2012 (1)		
<u>CONSULTANTS</u>		
1590-A1 Feasibility Study (Cannon)	0.00	0.00
1590-A2 EIR Preparation (Wood & Assoc)	0.00	505.00
1590-A3 Estimate/Preliminary Schedule (Cannon)	0.00	0.00
1590-A4 Proposed Routes/Facilities (Cannon)	0.00	0.00
1590-A5 Prop 50 Grant Applicatin	0.00	0.00
1590-A6 Project Support (Cannon)	0.00	0.00
1590-A7 Groundwater Grant Assistance (SAIC)	0.00	0.00
<u>LEGAL</u>		
1590-B1 Shipsey & Seitz	1,038.40	14,484.80
1590-B2 McDonough, Holland & Allen	0.00	0.00
1590-B3 Richards, Watson & Gershon	0.00	0.00
<u>LAND ACQUISITION</u>		
1590-C1 Appraisals (Tarvin & Reeder Gilman)	0.00	0.00
1590-C2 Property Negotiations (Hamner Jewell)	406.25	7,838.67
1590-C3 Property Acquisitions	0.00	2,800.00
<u>FINANCIAL</u>		
1590-D1 Reed Group and Wallace Group	0.00	0.00
1590-D2 Lobbying	0.00	0.00
<u>ENGINEERING</u>		
1590-E1 Preliminary Engineering Design (AECOM)	0.00	0.00
1590-E2 Water Modeling by Carollo (City of Santa Maria)	0.00	0.00
1590-E3 Alternative Water Supplies (AECOM)	0.00	0.00
1590-E4 Project Information (AECOM)	0.00	0.00
1590-E5 Project Design (AECOM)	0.00	487.35
1590-E6 Pressure Testing	0.00	0.00
1590-E7 Peer Review	0.00	0.00
1590-E8 Pot Holing	0.00	0.00
<u>OTHER</u>		
1590-F1 FGL Environmental	0.00	0.00
1590-F2 Copy/Print	0.00	0.00
<u>PERMITS</u>		
1590-G1 Santa Maria Valley Water Conservation District	0.00	0.00
<u>ASSESSMENT DISTRICT</u>		
1590-H1 Wallace Group	10,560.03	32,011.41
1590-H2 SLO County Reimbursement Agreement for JPA	22,000.00	28,099.89
1590-H3 Purveyor Partner Reimbursements to NCS D	0.00	0.00
1590-H4 A/D Financial Advisor	0.00	0.00
1590-H5 A/D Outreach/Education	0.00	89,314.05
<u>CONSTRUCTION</u>		
1590-I1 Construction Management (MNS)	0.00	360.00
1590-I2 Arborist (A&T Arborists)	0.00	0.00
<u>SALARY AND BENEFITS (2)</u>		
1590-Z1 Wages-Capitalized	3,621.02	23,447.54
1590-Z2 Payroll Taxes-Capitalized	52.50	339.96
1590-Z3 Retirement-Capitalized	920.96	5,799.43
1590-Z4 Medical-Capitalized	431.57	1,453.74
1590-Z5 Dental/Vision-Capitalized	55.33	160.95
1590-Z6 Workers Compensation-Capitalized	14.62	90.67
Expenditure Subtotal	<u>39,100.68</u>	<u>207,193.46</u>
Net Revenues less Expenditures	<u>(38,793.06)</u>	<u>(189,710.55)</u>
Beginning Fund Balance as of July 1, 2011		2,070,224.10
Ending Fund Balance as of December 31, 2011		<u>1,880,513.55</u>

(1) See attached "Supplemental Water Cost Summary" for more detail.

(2) Salary and Benefits of GM and District Engineer are allocated among NCS D projects and capitalized as part of the cost of the project.

**NIPOMO COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL WATER COST SUMMARY**

A/C #	DESCRIPTION	7/1/2004 TO 6/30/2005	7/1/2005 TO 6/30/2006	7/1/2006 TO 6/30/2007	7/1/2007 TO 6/30/2008	7/1/2008 TO 6/30/2009	7/1/2009 TO 6/30/2010	7/1/2010 TO 6/30/2011	7/1/2011 TO 6/30/2012 November	GRAND TOTAL
1645	Reservation Fee-City of Santa Maria	37,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,500.00
1590-A1	Feasibility Study (Cannon)	25,887.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,887.29
1590-A2	EIR Preparation (Wood & Assoc)	29,037.48	87,100.23	16,053.83	45,407.70	76,544.11	500.00	0.00	505.00	255,148.35
1590-A3	Est/Preliminary Schedule (Cannon)	3,706.19	2,602.75	0.00	0.00	0.00	0.00	0.00	0.00	6,308.94
1590-A4	Proposed Routes/Facilities (Cannon)	5,050.07	520.00	0.00	0.00	0.00	0.00	0.00	0.00	5,570.07
1590-A5	Prop 50 Grant Application	2,757.00	6,210.00	0.00	1,857.60	0.00	0.00	0.00	0.00	10,824.60
1590-A6	Project Support (Cannon)	0.00	11,797.44	0.00	0.00	0.00	0.00	0.00	0.00	11,797.44
1590-A7	Groundwater Grant Assistance (SAIC)	0.00	0.00	0.00	15,000.00	0.00	0.00	0.00	0.00	15,000.00
1590-B1	Shipsey & Seitz	0.00	23,095.55	17,564.25	2,201.50	18,224.00	16,601.58	18,664.80	14,484.80	110,836.48
1590-B2	McDonough, Holland & Allen	0.00	34,177.28	15,871.65	0.00	0.00	0.00	0.00	0.00	50,048.93
1590-B3	Richard, Watson & Gershon	0.00	9,472.38	27,954.81	0.00	0.00	0.00	0.00	0.00	37,427.19
1590-C1	Appraisals (Tarvin & Reeder Gilman)	0.00	0.00	16,170.00	10,000.00	0.00	8,000.00	3,600.00	0.00	37,770.00
1590-C2	Property Negotiations (Hammer Jewell)	0.00	0.00	0.00	0.00	15,250.00	14,748.75	36,481.90	7,838.67	74,319.32
1590-C3	Property Acquisitions	0.00	0.00	0.00	0.00	673.00	2,772.00	600.00	2,800.00	6,845.00
1590-D1	Reed Group and Wallace Group	0.00	2,809.85	0.00	0.00	7,565.45	4,476.25	0.00	0.00	14,871.55
1590-D2	Lobbying	0.00	0.00	0.00	38,801.11	38,950.00	54,000.00	9,000.00	0.00	140,751.11
1590-E1	Preliminary Engineering Design (Boyle)	0.00	6,470.33	223,286.67	103,460.19	2,194.43	0.00	0.00	0.00	335,411.62
1590-E2	Water Modeling by Carolio (City of SM)	0.00	0.00	24,942.00	0.00	0.00	0.00	0.00	0.00	24,942.00
1590-E3	Alternative Water Supplies (Boyle)	0.00	0.00	164,230.48	70,772.01	0.00	0.00	0.00	0.00	235,002.49
1590-E4	Project Information (Boyle)	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	0.00	6,000.00
1590-E5	Project Design (AECOM)	0.00	0.00	0.00	0.00	752,319.66	228,952.01	172,785.69	487.35	1,154,544.71
1590-E6	Pressure Testing	0.00	0.00	0.00	0.00	8,692.92	0.00	0.00	0.00	8,692.92
1590-E7	Peer Review	0.00	0.00	0.00	0.00	7,571.05	37,349.25	12,134.80	0.00	57,055.10
1590-E8	Pot Holing	0.00	0.00	0.00	0.00	0.00	29,053.05	0.00	0.00	29,053.05
1590-F1	Lab Testing (FGL Environmental)	0.00	0.00	5,047.00	0.00	0.00	0.00	0.00	0.00	5,047.00
1590-F2	Copy/Print	0.00	0.00	740.24	1,022.01	0.00	0.00	52.07	0.00	1,814.32
1590-G1	Permits	0.00	0.00	0.00	0.00	130.00	0.00	0.00	0.00	130.00
1590-H1	Assessment District	0.00	0.00	0.00	0.00	83,030.71	21,227.92	56,931.64	32,011.41	193,201.68
1590-H2	SLO County Reimb Agreement-JPA	0.00	0.00	0.00	0.00	0.00	36,603.80	6,799.89	28,099.89	71,503.58
1590-H3	Purveyor Partner Reimbursements to NCS	0.00	0.00	0.00	0.00	0.00	0.00	(10,492.04)	0.00	(10,492.04)
1590-H4	A/D Financial Advisor	0.00	0.00	0.00	0.00	0.00	0.00	8,835.63	0.00	8,835.63
1590-H5	A/D Outreach/Education	0.00	0.00	0.00	0.00	0.00	0.00	74,571.75	89,314.05	163,885.80
1590-I1	Construction Management (MNS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	360.00	360.00
1590-I2	Arborist (A&T Arborist)	0.00	0.00	0.00	0.00	0.00	2,830.00	0.00	0.00	2,830.00
1590-Z1	Wages-Capitalized	0.00	29,076.92	35,884.51	28,197.08	31,926.57	50,005.29	46,698.55	23,447.54	245,236.46
1590-Z2	Payroll Taxes-Capitalized	0.00	587.22	587.42	455.96	504.53	2,058.44	1,918.13	339.96	6,451.66
1590-Z3	Retirement-Capitalized	0.00	8,418.08	10,344.53	8,110.84	8,690.47	9,443.17	6,729.62	5,799.43	57,536.14
1590-Z4	Medical-Capitalized	0.00	2,861.36	3,367.02	2,564.88	2,757.36	3,390.94	3,352.92	1,453.74	19,748.22
1590-Z5	Dental/Vision-Capitalized	0.00	0.00	247.90	328.23	348.15	459.62	238.83	160.95	1,784.68
1590-Z6	Workers Compensation-Capitalized	0.00	260.35	341.83	225.21	259.81	271.21	277.61	90.67	1,726.69
		103,938.03	225,459.74	562,634.14	334,404.32	1,055,642.22	522,743.28	449,182.79	207,193.46	3,461,197.98

**NIPOMO COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
DEBT SERVICE SCHEDULE**

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	PRINCIPAL BALANCE
FY June 30, 2004	0.00	136,384.79	136,384.79	4,000,000.00
FY June 30, 2005	75,000.00	169,950.00	244,950.00	3,925,000.00
FY June 30, 2006	80,000.00	167,625.00	247,625.00	3,845,000.00
FY June 30, 2007	80,000.00	165,225.00	245,225.00	3,765,000.00
FY June 30, 2008	85,000.00	163,132.50	248,132.50	3,680,000.00
FY June 30, 2009	85,000.00	161,198.75	246,198.75	3,595,000.00
FY June 30, 2010	85,000.00	158,988.75	243,988.75	3,510,000.00
FY June 30, 2011	90,000.00	156,425.00	246,425.00	3,420,000.00
FY June 30, 2012	90,000.00	153,545.00	243,545.00	3,330,000.00
FY June 30, 2013	85,000.00	150,397.50	245,397.50	3,235,000.00
FY June 30, 2014	100,000.00	146,885.00	246,885.00	3,135,000.00
FY June 30, 2015	100,000.00	143,110.00	243,110.00	3,035,000.00
FY June 30, 2016	105,000.00	139,137.50	244,137.50	2,930,000.00

T:\DOC\FINANCE\SUPP WATERCOST SUMMARY.XLS

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: FEBRUARY 3, 2011



**REVIEW BOARD BY-LAWS AND POLICIES
AND PROPOSE EDITS FOR CONSIDERATION**

ITEM

Review Board By-Laws and Policies and propose edits for consideration [RECOMMEND REVIEW OF BY-LAWS AND DIRECT STAFF TO RETURN WITH REVISIONS FOR FUTURE BOARD APPROVAL]

BACKGROUND

Pursuant to Section 17 of the Board By-Laws, the Board By-Laws Policy shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

Attached are the Board By-Laws and Policies with proposed edits in 'mark-up' view for your review and consideration..

RECOMMENDATION

Staff recommends that your Honorable Board review the by-laws and policies, propose edits and direct Staff to place this item on the February 29, 2012, Board Meeting for adoption.

ATTACHMENT

- 2011 By-laws with proposed edits

t:\board matters\board meetings\board letter\2012\120208 bylaws.docx

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
20124 UPDATE
BOARD BY-LAWS AND POLICIES
(ATTACHMENT "A" TO RESOLUTION 20124-XXXX1212)

1. OFFICERS OF THE BOARD OF DIRECTORS

- 1.1 The officers of the Board of Directors are ~~the~~ President and Vice President.
- 1.2 The President of the Board of Directors shall serve as chairperson at all Board meetings. He/She shall have the same rights as the other Directors of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions.
- 1.3 In the absence of the President, the Vice President of the Board of Directors shall serve as chairperson over all meetings of the Board. If the President and Vice President of the Board are both absent, the remaining Directors present shall select one of themselves to act as chairperson of the meeting.
- 1.4 The President and Vice President of the Board shall be elected annually at the last meeting of each calendar year.
- 1.5 The term of office for the President and Vice President of the Board shall commence on January 1 of the year immediately following their election.
- 1.6 The President, and in his/her absence the Vice President or their designee, are authorized to attend meetings of the San Luis Obispo County Planning Commission and meetings of the San Luis Obispo County Board of Supervisors without compensation except reimbursement for use of his/her private vehicle to attend such meetings pursuant to 10.1(b) of these by-laws.

2. MEETINGS

- 2.1 Subject to holiday and scheduling conflicts, regular meetings of the Board of Directors shall commence at 9:00 a.m. on the second and fourth Wednesday of each calendar month in the Board Room at the District Office located at 148 South Wilson, Nipomo, CA. The Board of Directors reserves the right to cancel and/or designate other dates, places, and times for Director meetings due to scheduling conflicts and holidays.
- 2.2 Special Meetings.

Special meetings may be called by the President or three (3) Directors with a minimum of twenty-four (24) hours public notice. Special meeting agenda shall be prepared and distributed pursuant to the procedures of the Brown Act by the General Manager or the Assistant General Manager in consultation with the President or in his or her absence, the Vice President or those Directors calling the meeting.
- 2.3 Directors shall attend all regular and special meetings of the Board unless there is good cause for absence.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD BY-LAWS AND POLICIES

~~2011-2012~~ UPDATE

PAGE 2

(ATTACHMENT "A" TO RESOLUTION ~~2011-1212~~2012-XXXX)

- 2.4 No action or discussion may be taken on an item not on the posted agenda; provided, however, matters deemed to be emergencies or of an urgent nature may be added to the agenda under the procedures of the Brown Act. Pursuant to the Brown Act:
- (a) Directors may briefly respond to statements or questions from the public;
 - (b) Directors may, on their own initiative or in response to public questions, ask questions for clarification, provide references to staff or other resources for factual information, or request staff to report back at a subsequent meeting;
 - (c) The Board may take action to direct the General Manager to place a matter on a future agenda;
 - (d) Directors may make brief announcements or make a brief report on his/her own activities under the Director Comment portion of the Agenda.
- 2.5 The President, or in his/her absence the Vice President, shall be the presiding officer at District Board meetings. He/She shall conduct all meetings in a manner consistent with the policies of the District. He/She shall determine the order in which agenda items shall be considered for discussion and/or actions taken by the Board. He/She shall vote on all questions and on roll call votes his/her name shall be called last.
- 2.6 Three (3) Directors of the Board shall constitute a quorum for the transaction of District business. When a quorum is lacking for a regular, adjourned, or special meeting, the President, Vice President, or any Director shall adjourn such meeting; or, if no Director is present, the District Secretary shall adjourn the meeting.
- 2.7 Except as otherwise specifically provided by law, a majority vote of the total membership of the Board of Directors is required for the Board of Directors to take action.
- 2.8 A roll call vote shall be taken upon the passage of all ordinances and resolutions, and shall be entered in the minutes of the Board, showing those Directors voting aye, those voting no, those abstaining, those not voting because of a conflict of interest, and absent. A roll call vote shall be taken and recorded on any motion not passed unanimously by the Board. Silence shall be recorded as an affirmative vote.
- 2.9 Votes of abstention shall be counted as a no vote.
- 2.10 Any person attending a meeting of the Board of Directors may record the proceedings with an audio or video tape recorder or a still or motion picture camera in the absence of a reasonable finding that the recording cannot continue

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without disruptive noise, illumination, or obstruction of view that constitutes or would constitute a disruption of the proceedings.

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2.11 All video tape recorders, still and/or motion picture cameras shall remain stationary and shall be located and operated in plain public view and from behind the public speakers podium ~~once the meeting begins~~. The President retains the discretion to alter these guidelines, including the authority to require that all video tape recorders, still and/or motion picture cameras be located in the back of the room.

3. AGENDAS

3.1. The General Manager, in cooperation with the Board President, shall prepare the agenda for each regular and special meeting of the Board of Directors. Any Director may call the General Manager and request an item to be placed on the regular meeting agenda no later than 4:30 p.m. twelve calendar days prior to the meeting date. Such a request must be also submitted in writing either at the time of communication with the General Manager or delivered to the office within the next working day.

3.2 The following applies to reconsideration of prior Board actions.

- (a) After the passage of 9 months from the effective date of the motion, resolution, or ordinance, the matter may be placed on the agenda pursuant to Section 3.1, above, or other provisions of the Brown Act.
- (b) Prior to the passage of 9 months, any member of the Board of Directors or the General Manager may request the Board of Directors, by motion, to agree to reconsider a prior Board action at a subsequent meeting of the Board.
- (c) The President of the Board of Directors, upon a determination that there is a need to take immediate action, may place an item on the agenda for reconsideration.

3.3 Subject to the following rules, a block of 20 minutes is set aside for each agenda item for public comment, including general public comment:

- (a) Comments on agendized items should be held until the appropriate item is called.
- (b) Unless otherwise directed by the President, public comment shall be presented from the podium.
- (c) The person giving public comment shall state his/her name and whether or not he/she lives within the District boundary prior to giving his/her comment. Public comment shall be directed to the President of the Board.

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- (d) The President, after consideration of the length of the Agenda, the nature of the Agenda item, and the meeting limitations, may expand or further limit the 20 minute time allocation for public comment.
 - (e) Each public commenter shall be limited to 3 minutes unless shortened or extended by the President with consideration of the length of the Agenda, the nature of the Agenda item, and the meeting limitations.
- 3.4 Those items on the District Agenda which are considered to be of a routine and non-controversial nature are placed on the "Consent Agenda". These items shall be approved, adopted, and accepted, etc. by one motion of the Board of Directors; for example, approval of Minutes, approval of Warrants, various Resolutions accepting developer improvements, minor budgetary items, status reports, and routine District operations.
- (a) Directors may request that any item listed under "Consent Agenda" be removed from the "Consent Agenda", and the Board will then take action separately on that item. Members of the public will be given an opportunity to comment on the "Consent Agenda"; however, only a member of the Board of Directors can remove an item from the "Consent Agenda". Items which are removed ("pulled") by Directors of the Board for discussion will typically be heard after other "Consent Agenda" items are approved unless the President chooses an earlier or later time.
 - (b) A Director may ask questions on any item on the "Consent Agenda". When a Director has a minor question for clarification concerning a consent item which will not involve extended discussion, the item may be discussed for clarification and the questions will be addressed along with the rest of the "Consent Agenda". Directors are encouraged to seek clarifications prior to the meeting if possible.
 - (c) When a Director wishes to consider/"pull" an item simply to register a dissenting vote, an abstention or conflict of interest, the Director shall inform the presiding officer that he/she wishes to register a dissenting vote, an abstention or conflict of interest, on a particular item without discussion. The item will be handled along with the rest of the Consent Agenda, and the District Secretary shall register a "no" vote, an abstention or conflict of interest, in the minutes on the item identified by the Director.

4. PREPARATION OF MINUTES AND MAINTENANCE OF RECORDINGS

- 4.1 The minutes of the Board shall be kept by the District Secretary and shall be neatly produced and kept in a file for that purpose, with a record of each particular type of business transacted set off in paragraphs with proper subheads;

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- 4.2 The minutes of the Board of Directors shall record the aye and no votes taken by the members of the Board of Directors for the passage or denial of all ordinances, resolutions, or motions.
- 4.3 The District Secretary shall be required to make a record only of such business as was actually considered by a vote of the Board and, except as provided in Sections 4.4 and 4.6 below, shall not be required to record any remarks of Directors or any other person;
- 4.4 The District Secretary shall attempt to record the names and general place of residence of persons addressing the Board during general public comment.
- 4.5 Any Director may request for inclusion into the minutes brief comments pertinent to an agenda item, only at the meeting in which the item is discussed. In addition, the minutes shall include the names of speakers who provided public comment on each agenda item and a summary of the Directors' reports. Materials submitted with such comments shall be appended to the minutes at the request of the General Manager, District Counsel, the Board President, or any Director.
- 4.6 Whenever the Board acts in a quasi-judicial proceeding such as in assessment matters, the District Secretary shall compile a summary of the testimony of the witnesses.
- 4.7 Any recording of a District meeting made for whatever purpose at the direction of the District shall be subject to inspection pursuant to the California Public Records Act. Consistent with Government Code Section 54953.5(b), the District will maintain the recordings for a 30-day period after the recording. During the 30-day period, the District will provide, without charge, the necessary equipment for inspection of said recordings at the District Office during regular business hours. In addition to the 30-day requirement, the District will attempt to maintain the recordings, without legal obligation to do so, for a minimum of 5 years after the date of the recording. However, during this extended period, the District may not be able to provide the necessary equipment to facilitate inspections.

5. DIRECTORS

- 5.1 Directors shall prepare themselves to discuss agenda items at meetings of the Board of Directors. Directors are encouraged to seek clarification prior to the meeting, if possible.
- 5.2 Members of the Board of Directors shall exercise their independent judgment on behalf of the interest of the entire District, including the residents, property owners and the public as a whole.
- 5.3 Information may be requested from staff before meetings, within such limitations as required by the Brown Act. Information that is requested shall be distributed through the General Manager, and all Directors will receive a copy of all information being distributed.

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- 5.4 Directors shall at all times conduct themselves with courtesy to each other, to staff and to members of the audience present at Board meetings.
- 5.5 Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions, but without being disagreeable. Once the Board of Directors takes action, dissenting Directors should not create barriers to the implementation of said action.
- 5.6 Pursuant to §54952.2 of the Brown Act:
- (a) Except during an open and public meeting, a majority of the Board of Directors shall not use a series of communications of any kind, directly or thru intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter of the District.
 - (b) Subsection (a) above shall not be construed as preventing District management staff from engaging in separate conversations or communications with members of the District Board of Directors in order to answer questions or provide information regarding a matter that is within the subject matter jurisdiction of the District, provided that District Staff does not communicate to members of the Board of Directors the comments or positions of any other member or members of the Board of Directors.
- 5.7 Directors shall not be prohibited by action of the Board of Directors from citing his or her District affiliation or title in any endorsement or publication, so long as no misrepresentation is made, or implied, about the District's position on ~~the-an~~ issue.

6. AUTHORITY OF DIRECTORS

- 6.1 The Board of Directors is the unit of authority within the District. Apart from his/her normal function as a part of this unit, ~~a~~ Directors ~~has, have~~ no individual authority. As individuals, Directors may not commit the District to any policy, act, or expenditure.
- 6.2 Directors do not represent any fractional segment of the District but are, rather, a part of the body which represents and acts for the District as a whole.
- 6.3 The primary responsibility of the Board of Directors is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to professional staff members of the District.

7. AUTHORITY OF THE GENERAL MANAGER

Pursuant to Government Code §61051, the General Manager shall be responsible for ~~all~~ of the following:

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- 7.1. The implementation of the policies established by the Board of Directors for the operation of the District.
- 7.2. The appointment, supervision, discipline, and dismissal of the District's employees, consistent with the employee relations system established by the Board of Directors.
- 7.3. The supervision of the District's facilities and services.
- 7.4. The supervision of the District's finances.

8. DIRECTOR GUIDELINES

- 8.1. Directors, by making a request to the General Manager or Assistant General Manager, shall have access to information relative to the operation of the District, including but not limited to statistical information, information serving as the basis for certain actions of Staff, justification for Staff recommendations, etc. If the General Manager or the Assistant General Manager cannot timely provide the requested information by reason of information deficiency, or major interruption in work schedules, work loads, and priorities, then the General Manager or Assistant General Manager shall inform the individual Director why the information is not or cannot be made available.
- 8.2. In handling complaints from residents or property owners within the District, or other members of the public, Directors are encouraged to listen carefully to the concerns, but the complaint should be referred to the General Manager for processing and the District's response, if any.
- 8.3. Directors, when seeking clarification of policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, should refer said concerns directly to the General Manager.
- 8.4. When approached by District personnel concerning specific District policy, Directors should direct inquiries to the General Manager or Assistant General Manager. The chain of command should be followed. If a Director concludes that a personnel issue is not being adequately addressed in this manner, he/she should refer it to the Board's personnel committee for further consideration, in accordance with District Personnel Policy.
- 8.5. Directors and General Manager should develop a working relationship so that current issues, concerns, and District projects can be discussed comfortably and openly.
- 8.6. When responding to constituent request and concerns, Directors should respond to individuals in a positive manner and route their questions to the General Manager, or in his/her absence, to the Assistant General Manager.
- 8.7. Directors are responsible for monitoring the District's progress in attaining its goals and objectives, while pursuing its mission.

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9. DIRECTOR COMPENSATION

- 9.1 Each Director is authorized to receive one hundred dollars (\$100.00) as compensation for each regular adjourned or special meeting of the Board of Directors attended by him/her.
- 9.2 Each Director appointed to a committee is authorized to receive one hundred dollars (\$100) as compensation for each public meeting of a standing committee attended by him/her.
- 9.3 Each Director appointed to an ad hoc committee is authorized to receive seventy-five dollars (\$75.00) as compensation for each ad hoc committee meeting attended by him/her.
- 9.4 Each Director is authorized to receive one hundred dollars (\$100) per day as compensation for representation of the District at a public meeting or public hearing conducted by another public agency and/or participation in a training program on a topic that is directly related to the District, provided the Board of Directors has previously approved the member's participation and the member delivers a written report to the Board of Directors at the District's next regular meeting regarding the member's participation.
- 9.5 In no event shall Director compensation exceed \$100 per day.
- 9.6 Director compensation shall not exceed six full days in any one calendar month.

10. DIRECTOR REIMBURSEMENT

- 10.1 Subject to the following rules and budgetary limitations, each Director is entitled to reimbursement for their actual and necessary expenses (including the cost of programs and seminars), for his/her attendance at programs, conferences, and seminars that are related to District functions and/or Director development.

- (a) It is the policy of the District to exercise prudence with respect to hotel/motel accommodations. It is also the policy of the District for Directors and staff to stay at the main hotel/motel location of a conference, seminar, or class to gain maximum participation and advantage of interaction with others whenever possible.

If lodging is in connection with a conference or organized education activity, lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available to the member of the Board of Directors at the time of booking. If the group rate is not available, the Director shall use lodging that is comparable with the group rate. Personal phone calls, room service, and other discretionary expenditures are not reimbursable.

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- (b) Members of the Board of Directors shall use government and group rates offered by a provider of transportation for travel when available. Directors, using his/her private vehicle on District business, shall be compensated at the prevailing IRS per diem mileage rate.
 - (c) Any Director traveling on District business shall receive in addition to transportation and lodging expenses, a per diem allowance to cover ordinary expenses such as meals, refreshments, and tips. The amount set for per diem shall be considered fair reimbursement. The per diem shall include \$10.00 for breakfast, \$15.00 for lunch and \$30.00 for dinner, for a daily total of \$55.00.
 - (d) All travel and other expenses for District business, conferences, or seminars outside of the State of California shall require separate Board authorization, with specific accountability as to how the District shall benefit by such expenditure.
- 10.2 All expenses that do not fall within the reimbursement policy set forth in 10.1, above, shall be approved by the Board of Directors, at a public meeting, before the expense is incurred.
- 10.3 Board members shall submit an expense report on the District form within ten (10) calendar days after incurring the expense. The expense report shall be accompanied by receipts documenting each expense. Expense reports for mileage, as referenced in Section 10.1(b), shall be submitted no later than the end of each quarter (March, June, September, and December).
- 10.4 Members of the Board of Directors shall provide brief reports on the program, conferences, and seminars attended at the expense of the District at the next regular meeting of the Board of Directors.

11. ETHICS TRAINING

- 11.1 Pursuant to sections 53234 et seq. of the Government Code all Directors and designated District personnel shall receive at least 2 hours of ethics training every two years.
- 11.2 Each newly elected Board Member and designated District personnel shall receive ethics training no later than one year from the first day of service with the District and thereafter shall receive ethics training at least once every two years.

12. COMMITTEES

12.1 Ad Hoc Committees

The Board President shall appoint such ad hoc committees as may be deemed necessary or advisable by himself/herself and/or the Board. The duties of the ad

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hoc committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made.

12.2 Standing Committees

- (a) The Board may create standing committees at its discretion. Standing committees shall be advisory committees to the Board of Directors and shall not commit the District to any policy, act or expenditure. Each standing committee may consider District-related issues, on a continuing basis, assigned to it by the Board of Directors. Members of the standing committees shall be appointed by the Board of Directors.
- (b) All standing committee meetings shall be conducted as public meetings in accordance with the Brown Act and Sections 2, 3 and 4 of these By-Laws. Summary notes for each meeting of each committee shall be forwarded to the NCSB Board of Directors as a public record.

13. CORRESPONDENCE DISTRIBUTION POLICY

Time permitting, the following letters and other documents shall be accumulated and delivered to the Board of Directors on Monday of each week and/or with agenda packet.

- 13.1 All letters approved by the Board of Directors and/or signed by the President on behalf of the District; and
- 13.2 All letters and other documents received by the District that are of District-wide concern, as determined by District staff.

14. CONFLICTS AND RELATED POLICY

State laws are in place which attempt to eliminate any action by a Director or the District which may reflect a conflict of interest. The purpose of such laws and regulations is to insure that all actions are taken in the public interest. Laws which regulate conflicts are very complicated. The following provides a brief policy summary of various conflict related laws. Directors are encouraged to consult with District Legal Counsel and/or the FPPC at 1-800-ASK-FPPC (1-800-275-3772), prior to the day of the meeting, if they have questions about a particular agenda item.

14.1 Conflict of Interest

Each Director is encouraged to review the District Conflict Code on an annual basis. The general rule is that an official may not participate in the making of a governmental decision if it is: reasonably foreseeable that the decision will have

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a material financial effect on the official or a member of his or her immediate family or on an economic interest of the official, and the effect is distinguishable from the effect on the public generally. Additionally, the FPPC regulations relating to interests in real property have recently been changed. If the real property in which the Director has an interest is located within 500 feet of the boundaries of the property affected by decision, that interest is now deemed to be directly involved in the decision.

14.2 Interest in Contracts, Government Code Section 1090

The prohibitions of Government Code Section 1090 provide that the Board of Directors may not contract with any business in which another Director has a financial interest.

14.3 Incompatible Office, Government Code Section 1099

The basic rule is that public policy requires that when the duties of two offices are repugnant or overlap so that their exercise may require contradictory or inconsistent action, to the detriment to the other public interest, their discharge by one person is incompatible with that interest. When a Director is sworn in for such a second office, he/she is simultaneously terminated from holding the first office.

15. EVALUATION OF CONSULTANTS

The District's legal counsel shall be evaluated by the Board of Directors annually during the months of May and June of each year.

16. CONTINUING EDUCATION

Directors are encouraged to attend educational conferences and professional meetings when the purposes of such activities are to improve District operation. Subject to budgetary constraints, there is no limit to the number of Directors attending a particular conference or seminar when it is apparent that their attendance is beneficial to the District.

17. BOARD BY-LAWS REVIEW POLICY

Subject to 3.1 the Board By-Laws and Policies shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

18. RESTRICTIONS ON BY-LAWS

The rules contained herein shall govern the Board in all cases to which they are applicable, and in which they are not inconsistent with State or Federal laws.